

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

INFO USLO PEKING

AMEMBASSY PARIS

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USLO

E.O. 11652: XGDS-1

TAGS: ESTC, COCOM, PRC

SUBJECT: COLOR TV MANUFACTURING COMPLEX FOR THE PRC

REF: STATE 154415

1. EMBASSY TOKYO IS REQUESTED TO SEEK GOJ COMMENT ON THE FOLLOWING:

A) THE WALL STREET JOURNAL ON JULY 10 CITED KYODO NEWS SERVICE REPORTS THAT THE PRC HAD AGREED IN PRINCIPLE TO PURCHASE A COLOR TELEVISION PICTURE TUBE PLANT FROM HITACHI LTD. THE PLANT, WITH ANNUAL CAPACITY OF 960,000 TUBES, WILL HAVE AN EXPORT VALUE OF ABOUT 90 MILLION DOLS.

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IT WILL BE CONSTRUCTED OUTSIDE THE CITY OF SIAN IN NORTH-EAST CENTRAL CHINA.

B) KYODO NEWS SERVICE WAS ALSO CITED AS REPORTING THAT A CONTRACT FOR AN INTEGRATED CIRCUIT (IC) PLANT, SOLD IN CONJUNCTION WITH THE PICTURE TUBE CONTRACT, WAS AWARDED TO TOSHIBA CORP. THAT SALE WILL REPORTEDLY BE VALUED

BETWEEN 125 AND 150 MILLION DOLS. EXPORT OF THE FACTORY, WHICH IS TO BE CONSTRUCTED IN KIANGSU PROVINCE, IS BEING HANDLED BY NICHIMEN CO. FORMAL CONTRACTS ARE TO BE SIGNED LATE THIS MONTH OR EARLY AUGUST.

C) THE DEPARTMENT HAS, ON VARIOUS OCCASIONS, INFORMED THE JAPANESE EMBASSY IN WASHINGTON THAT WE HAD STRONG RESERVATIONS OVER THE LEVEL OF IC TECHNOLOGY WHICH THE PRC MIGHT SEEK TO OBTAIN. WE NOTED THE REQUIREMENT FOR COCOM REVIEW OF ANY SUCH TRANSACTION. THE EMBASSY HAS RESPONDED THAT THE GOJ WAS ALSO PROCEEDING CAUTIOUSLY, ADVISING JAPANESE FIRMS OF THE SIGNIFICANCE OF THIS TECHNOLOGY.

D) THE U.S. WOULD BE INTERESTED IN THE CURRENT STATUS OF THESE CASES, AS THEY RELATE TO COCOM.

2. FYI: A) ZENITH RADIO CORP. (SEE REFTEL) PHONED DEPARTMENT EARLY TODAY TO EXPRESS SURPRISE AT THE ANNOUNCEMENT. THE U.S. FIRM FINDS THE HITACHI PRICE FOR THE PICTURE TUBE PLANT (ASSUMING THE GLASS PRODUCTION IS ALSO INCLUDED) TO BE EXTREMELY HIGH, CERTAINLY IF COMPARED TO THE 36.8 MILLION DOLS. PLANT OFFERED TO THE CHINESE BY ZENITH ONLY LAST MONTH. ASKED ABOUT THE SIZE OF THE FACILITY, THE ZENITH REP STATED THAT THE PRODUCTION CAPACITY WOULD BE SIMILAR: 960,000 FOR THE HITACHI SYSTEM AS AGAINST ONE MILLION TUBES WHICH ZENITH DISCUSSED WITH

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THE CHINESE.

B) OF GREATER CONCERN FROM THE STRATEGIC POINT OF VIEW, IS THE IC PRODUCTION PLANT REPORTEDLY TO BE SUPPLIED BY TOSHIBA. AS RECENTLY AS TWO WEEKS AGO, STATE AND OTHER AGENCIES DISCUSSED IC TECHNOLOGY TRANSFER WITH RCA, WHICH WAS PREPARING A BID TO THE PRC FOR THE SAME IC-TV RELATED APPLICATION. U.S. EXPERTS FELT THAT THE TECHNOLOGY RCA WAS INTERESTED IN SUPPLYING, GIVEN THE SPECIFICATIONS LAID OUT BY THE CHINESE, WAS WELL ABOVE WHAT THE USG WOULD CONSIDER LICENSING TO ANY REPEAT ANY COMMUNIST COUNTRY. ALTHOUGH OLD TECHNOLOGY IN TERMS OF DEVELOPMENTS IN THE U.S., THE TECHNOLOGY WAS DIRECTLY RELATED TO PRODUCTION OF IC'S WHICH HAVE MILITARY AND/OR MISSILE RELATED APPLICATIONS. CHRISTOPHER

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